

Message Text

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ACTION AF-07

INFO OCT-01 EUR-12 NEA-06 ISO-00 AEC-05 AID-05 CEA-01

CIAE-00 CIEP-01 COME-00 DODE-00 EB-07 FPC-01 H-01

INR-05 INT-05 L-02 NSAE-00 NSC-05 OMB-01 PM-03 RSC-01

SAM-01 OES-03 SP-02 SS-15 STR-01 TRSE-00 FRB-01 FEA-01

PA-01 PRS-01 USIA-06 IO-10 FTC-01 /112 W

----- 102783

R 051720Z DEC 74

FM AMEMBASSY COTONOU

TO SECSTATE WASHDC 6768

INFO AMEMBASSY ABIDJAN

AMEMBASSY ALGIERS

AMEMBASSY LAGOS

AMEMBASSY CONAKRY

AMEMBASSY LOME

AMEMBASSY NIAMEY

AMEMBASSY OUAGADOUGOU

AMEMBASSY PARIS

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EO 11652: GDS

TAGS: EINV, ENRG, PINT, DM

SUBJ: RADICALIZATION OF THE REVOLUTION: PETROLEUM SECTOR

NATIONALIZED

REF COTONOU 1865 (NOTAL)

1. SUMMARY: BY CABINET DECREE, THE GOVT OF DAHOMEY LATE YESTERDAY, 4 DEC, NATIONALIZED THE IMPORTATION, DISTRIBUTION AND SALE OF PETROLEUM PRODUCTS. SEVEN FOREIGN- OWNED FIRMS ARE AFFECTED, INCLUDING THE INDIRECT SUBSIDIARIES OF TWO AMERICAN FIRMS, MOBIL AND TEXACO. EMBASSY'S VERY ROUGH ESTIMATES OF GOVT'S LIABILITY TO THE SEVEN COMPANIES IS OVER \$6 MILLION. (ESTIMATED LIABILITY FOR FOREIGN BANK ASSETS TAKEN OVER

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EARLIER THIS WEEK WAS \$1.7 MILLION AND THAT OF OTHER INTERESTS

PERHAPS \$1 MILLION OR MORE.)

2. FORNMIN TODAY ASSURED AMB OF GOVT'S INTENTION TO INDEMNIFY
AFFECTED FOREIGN INTERESTS. AMB TOLD HIM THAT PROSPECTS OF
ATTRACTING NEW US PRIVATE INVESTMENT, WHICH THE GOVT WANTS,
WILL DEPEND TO GREAT EXTENT ON TREATMENT ACCORDED TO OLD INVE-
TORS, AND HE URGED THAT A JUST SETTLEMENT BE REACHED ASAP
WITH THE FIRMS WHOSE ASSETS HERE HAVE BEEN TAKEN OVER IN PAST
FEW DAYS.

3. IN VIEW OF THE EXTENT OF THE TAKE-OVERS, THE STRAIN ON
THE COUNTRY'S MEAGRE FINANCES OF INDEMNIFICATION PAYMENTS WILL
BE SEVERE. IT IS DOUBTFUL THAT THE GOVT WILL BE FINANCIALLY
CAPABLE OF MAKING ANY BUT EXTREMELY LONG-TERM ARRANGEMENTS.
END SUMMARY.

4. BY DECREE OF THE COUNCIL OF MINISTERS ON 4 DEC DAHOMEAN
GOVT NATIONALIZED THE IMPORTATION, DISTRIBUTION, TRANSPORT AND
SALE OF ALL PETROLEUM PRODUCTS. SEVEN COMPANIES, TWO OF
WHICH ARE THE INDIRECT SUBSIDIARIES OF AMERICAN FIRMS ARE
INVOLVED: TEXACO, MOBIL, SHELL BP., AGIP, TOTAL AND THE DEPOT
D'ENTREPOSAGE DES PRODUITS PETROLIERS (DEPP). THE LATTER IS
A LOCALLY FORMED CONSORTIUM OF THE PRECEDING SIX WHICH BUYS
IMPORTED PETROLEUM FROM THE GOVT AND STORES IT. ALL BUILDINGS,
PROPERTY, STOCKS AND PERSONNEL OF THE COMPANIES HAVE BEEN
TAKEN OVER. A STATE COMPANY, SOCIETE NATIONALE DE COMMERCIAL-
ISATION DES PRODUITS PETROLIERS (SONACOP), HAS BEEN FORMED TO
TAKE OVER THE AFFAIRS OF THE SEIZED COMPANIES.

5. THE OIL COMPANIES LEARNED OF THE TAKE OVER AT THE CLOSE OF
BUSINESS YESTERDAY WHEN POLICE ARRIVED AT THEIR HEADQUARTERS
TO ADVISE THEM OF THE ACTION TAKEN AND TO EFFECT ARMED
OCCUPATION OF THE PREMISES. THEY WERE ORDERED NOT TO REMOVE
ANY COMPANY PAPERS OR VALUABLES. THIS MORNING POLICE PREVENTED
COMPANY PERSONNEL FROM REENTERING THEIR OFFICES.

6. THE GOVT'S DECREE REQUIRES EACH COMPANY TO FURNISH TO AN
AD HOC GOVERNMENTAL COMMISSION, FOR INDEMNIFICATION PURPOSES,
"ALL DOCUMENTS, DETAILS AND ESTIMATES OF THE VALUE OF THE PRO-
PERTY TRANSFERRED." FAILURE TO PROVIDE THIS INFO OR TO TURN OVER
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THE PROPERTY IN GOOD CONDITION SUBJECTS THE COMPANY CONCERNED
TO TOTAL OR PARTIAL FORFEITURE OF RIGHTS TO INDEMNIFICATION.
THE DECREE ALSO IMPOSES TWO TO FIVE YEAR JAIL SENTENCES AND
FINES OF BETWEEN THREE TO SIX MILLION CFA FOR ANYONE SABOTAG-
ING, DESTROYING, DAMAGING OR CONCEALING PROPERTY OR DOCUMENTS
RELATION TO THE FIRMS' ASSETS. THE SAME PENALITIES WILL BE
IMPOSED ON ANYONE TRYING TO "BLOCK, IMPEDE OR INTERRUPT THE
SUPPLY OF PETROLEUM PRODUCTS TO DAHOMEY".

5. CHIEF OF THE FINANCIAL SECTION OF MOBIL'S REGIONAL OFFICE IN ABIDJAN WHO HAPPENED TO BE IN COTONOU CAME TO EMBASSY. HE TOLD US THAT MOBIL'S DIRECTOR HERE, WHO IS A DAHOMEAN, WAS AFRAID TO HAVE DIRECT CONTACT WITH THE EMBASSY IN LIGHT OF RECENT EVENTS. FOR THAT REASON WE HAVE FOR THE MOMENT SUSPENDED OUR EFFORTS TO CONTACT TEXACO DIR WHO IS ALSO A DAHOMEAN. MOBIL AND TEXACO HERE ARE SUBSIDIARIES RESPECTIVELY OF MOBIL FRANCE AND TEXACO CANADA.

6. THE MOBIL REP ESTIMATES VALUE OF COMPANY'S INVESTMENT IN DAHOMEY AT OVER 100 MILLION CFA (OVER \$425,000) PLUS BETWEEN SEVEN AND TEN MILLION CFA FOR MOBIL'S SHARE IN DEPP. HE WILL PROVIDE MORE EXACT DETAILS ON INVESTMENT TO EMBASSY ABIDJAN FOR TRANSMISSION TO US. HE SAID A TANKER WAS EN ROUTE TO COTONOU FROM ALGERIA. IN VIEW OF PENALTIES IMPOSED IN THE DECREE ON ANYONE HINDERING FLOW OF PETROLEUM PRODUCTS THE COMPANY WILL ALLOW THE TANKER TO PROCEED HERE IN ORDER NOT ENDANGER CHANCES FOR INDEMNIFICATION.

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AMEMBASSY PARIS

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7. ACCORDING TO AN OFFICER OF THE WEST GERMAN EMBASSY, THE DAHOMEAN GOVT'S ACTIONS OF THE PAST FEW WEEKS HAVE ALREADY SCARED OFF A GERMAN GROUP THAT WAS READY TO SIGN AN AGREEMENT WITH THE GOVT TO PUT UP A SECOND BREWERY IN COTONOU (IT IS RUMORED THAT THE ONLY BREWERY HERE WILL BE TAKEN OVER ANY DAY NOW.)

8. CONFIRMING WHAT HE HAD SAID TO FRENCH AMB TWO DAYS AGO, FORNMIN ALLADAYE ASSURED AMB ENGLE TODAY THAT THE DAHOMEAN GOVT WOULD INDEMNIFY THE FOREIGN COMPANIES FOR THE ASSETS TAKEN OVER. AMB EMPHASIZED IMPORTANCE OF REACHING SOONEST A SETTLEMENT WITH THE FIRMS THAT WOULD BE GENERALLY REGARDED AS JUST AND REASONABLE, AND HE POINTED OUT THAT THE PROSPECTS OF ATTRACTING NEW US PRIVATE INVESTORS WOULD DEPEND TO GREAT EX-
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TENT ON THE TREATMENT ACCORDED THE OLD ONES.

9. COMMENT: THERE APPEARS TO BE NO STANDARD PROCEDURE FOR REACHING AND ANNOUNCING DECISIONS THERE NOWADAYS. SOMETIMES THE TRADITIONAL ORGANS OF THE STATE MACHINERY (AS IN THE CASE OF NATIONALIZATION OF OIL COMPANIES) TAKE THE ACTION AND SOMETIMES THE NEW "REVOLUTIONARY" INSTITUTIONS (THE NEW POLITICAL BUREAU DECIDED ON THE TAKE-OVER EARLIER THIS WEEK). PRES KEREKOU APPARENTLY USES WHATEVER GROUP HAPPENS TO BE MEETING AT THE TIME TO APPROVE THE MEASURES HE HAS DECIDED UPON.

10. DEPP'S CAPITAL IS LISTED AT 150 MILLION CFA, BP'S AT 200 MILLION CFA AND AGIP'S AT 305 MILLION CFA. WE WOULD PLACE THE TOTAL INVESTMENT IN THE OTHER THREE COMPANIES (TEXACO, SHELL AND TOTAL) AT SOMETHING LIKE 600 MILLION CFA. IF OUR CALCULATONS ARE ROUGHLY CORRECT, THE GOVT IS THEREFORE LIABLE FOR TOTAL INDEMNITIES OF ABOUT 1.4 BILLION CFA (\$6 MILLION) TO THE OIL COMPANIES. SINCE THE ASSETS OF FOREIGN BANKS TAKEN OVER TWO

DAYS AGO ARE PROBABLY WORTH AROUND \$1.7 MILLION AND THE ASSETS OF OTHER FOREIGN FIRMS TAKEN OVER PERHAPS A MILLION OR MORE, THE TOTAL LIABILITY MUST BE WELL OVER \$8 MILLION.

11. IN VIEW OF THE MODEST SIZE OF THE PUBLIC TREASURY AND THE EXTENT OF THE TAKE-OVERS, IT IS QUESTIONABLE WHETHER THE GOVT HAS THE CAPABILITY TO MAKE A SETTLEMENT LIKELY TO BE REGARDED AS ACCEPTABLE IN THE INTERNATIONAL INVESTOR COMMUNITY. THE GOVT WILL PROBABLY TRY TO SETTLE ON A MAXIMUM LONG-TERM

BASIS.

12. FOR EMBASSY ABIDJAN: WOULD APPRECIATE IT IF YOU CONTACT
TEXACO REGIONAL OFFICE TO OBTAIN (A) ESTIMATE OF EXTENT OF
TEXACO INVESTMENT IN DAHOMEY, WHICH WE BELIEVE TO BE SOMETHING
LESS THAT THAT OF MOBIL, (B) EXTENT OF THEIR PARTICIPATION IN
DEPP, AND (C) THEIR COMMENTS ON NATIONALIZATION.

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